Manitoba

Annual Report 1988

Manitoba Municipal Employees Benefits Board

90-00816/

Minister of
Rural Development

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

His Honour George Johnson
Lieutenant Governor of Manitoba
225 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

As Minister responsible I have the privilege of presenting for the information of Your Honour the Twelfth Annual Report of the Municipal Employees Benefits Board for the calendar year ended December 31, 1988.

Respectfully submitted,

Jack Penner

Manitoba

Municipal Employees Benefits Board

308 - 131 Provencher Blvd.
Winnipeg, Manitoba, CANADA
R2H 0G2

(204) 237-6574
Toll Free: 1-800-432-1908

Honourable Jack Penner
Minister of Rural Development
330 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting to you the Twelfth Annual Report of the Municipal Employees Benefits Board. The Report summarizes the activities of the Board in the 1988 calendar year and details the status of the pension, disability, and group insurance programs.

Audited financial statements, submitted as required by the Provincial Auditor, are appended to the Report.

These statements reveal the financial strength and administrative soundness of the Municipal Employees Benefits Fund and indicate municipal and quasi-municipal participants can continue to receive and expect to receive retirement, disability and insurance benefits as promised. Board members and the Board's supporting administrative staff are to be commended for their devotion, diligence and dedication in providing municipal employees with a financially secure benefits package.

Respectfully submitted,

G. D. Forrest
Chairman

Table of Contents

TITLE	PAGE
Report of the Board	7
Municipal Employees Benefits Board	8
Report Highlights	9
10 Year Comparative Statistics	9
10 Year Fund Assets	10
Employees By Year	10
Pensioners By Year	11
Municipal Employees Benefits Program	12
Pension Plan Activities	12
Pension and Disability Pension Income	12
Disbursement of Income	13
Participation	13
Pension Benefits	13
Cost-of-Living Adjustment in Pensions	14
Pension Refunds	14
Prior Employment Recognition	15
Reciprocal Pension Agreements - Manitoba Transfers	15
Reciprocal Pension Agreements - Other Jurisdictions	15
Disability Pension Part of the Plan	16
Group Life Insurance Plan	16
Municipal Employees Benefits Board Information Services	17
Report on Changes in Status	18
Actuarial Studies	19
Pension Plan Benefit Improvements Financed Out of Actuarial Surplus	19
Investments	20
Appendix 1. - Report of the Provincial Auditor's Office and Financial Statements	21

Report of the Board

This 12th Annual Report reviews and highlights the administrative and investment activities of the Municipal Employees Benefits Board for the calendar year 1988.

The Municipal Employees Benefits Board was established under subsection 179.12(1) of the Municipal Act in 1975.

The Board is appointed by the Lieutenant Governor in Council and is comprised of two employee representatives, two employer representatives and a chairman.

The Board is responsible for the administration of the provisions of the benefit plans established in accordance with the Municipal Act to provide benefits for employees of participating municipalities and quasi-municipal employers in Manitoba. Some of the required administrative and support services are provided by the staff of the Civil Service Superannuation Board.

As Trustees of the Municipal Employee Benefits Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee which is a subcommittee of the Board.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

The Board is responsible for administering the Pension Plan which involves collecting employer pension contributions and pension contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds and other benefits on termination, negotiating reciprocal agreements to provide portability of pensions, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing annual benefit statements, preparing brochures outlining the benefits, newsletters, financial statements and an annual report.

The Board also administers the Group Life Insurance Plan which provides group life insurance and accidental death and dismemberment insurance for participating employees. The Board collects insurance contributions on behalf of the Constellation Assurance Company (administrator for the insurance carrier - Prudential Assurance), pays the necessary premiums, pre-audits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, to pay waiver of contribution benefits on disability and to stabilize the premium rate.

In June, 1981, the Board began to administer the Disability Pension Part of the Plan which provides long term disability benefits to disabled employees who qualify. The Board collects employee and employer contributions, processes applications for disability benefits, pays disability pensions, prepares explanatory literature and provides counselling to disabled employees.

It is a pleasure to acknowledge the contributions many municipal and quasi-municipal employers made to facilitate the administrative functions of the Board. As well, support staff of the Board deserve warm recognition for their dedication and conscientious service to the Board, and through it, to municipalities, and municipal and quasi-municipal employees who are participating in the Benefits Program.

THE MUNICIPAL EMPLOYEES BENEFITS BOARD

Municipal Employees Benefits Board

Chairman

Gerald D. Forrest
Chairman, Municipal Employees Benefits Board
Deputy Minister, Rural Development
Winnipeg

Employer Representatives

Elmer Greenslade
City of Portage la Prairie
Representative, Manitoba Association of Urban Municipalities

Dave Harms, Reeve
R.M. of Pembina
Representative, Union of Manitoba Municipalities

Employee Representatives

Tom Clark, Vice Chairman
Municipal Employees Benefits Board
C.U.P.E. Winnipeg

Frank Woodmass
City Treasurer
City of Brandon

General Manager

Walter Worosz
General Manager, Municipal Employees Benefits Board
General Manager, Civil Service Superannuation Board
Winnipeg

Staff

Rose Neufeld, Benefits Manager
Kelly Davis, Special Projects Coordinator
Diane Ell, Benefits Coordinator
Lori Hill
Kay Bakker
Verna Joachim

Consulting Actuary

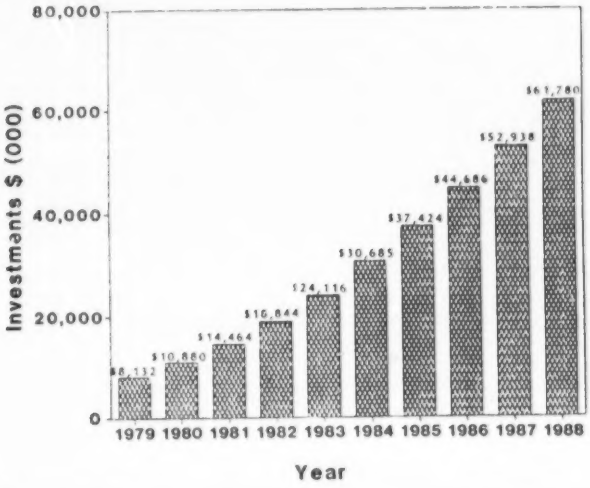
John A. Turnbull, F.S.A., F.C.I.A.

Municipal Employees Benefits Program
10 Year Comparative Statistics

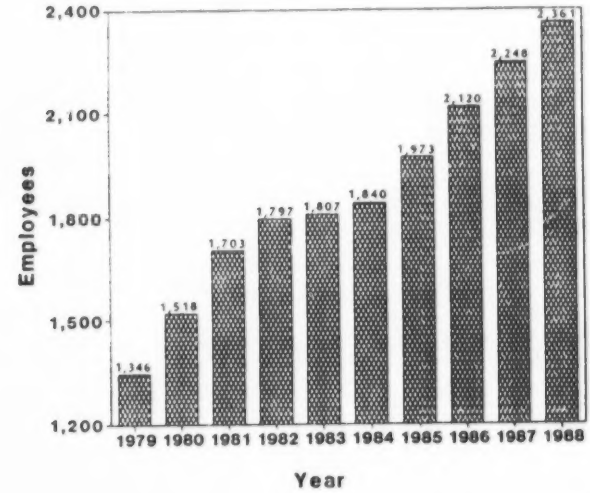
	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Pension Part of the Pension Plan										
Book Value of Investments	$61,779,665	$52,937,614	$44,686,299	$37,424,278	$30,684,513	$24,116,494	$18,844,437	$14,463,759	$10,879,864	$8,132,148
Investment Income	$ 5,854,255	$ 4,865,009	$ 4,395,536	$ 3,801,031	$ 3,035,670	$ 2,409,185	$ 1,855,948	$ 1,333,579	895,796	$ 639,436
Employee Contributions	$ 2,359,398	$ 2,195,107	$ 2,015,289	$ 1,886,540	$ 1,753,556	$ 1,650,763	$ 1,521,516	$ 1,262,233	$ 1,032,653	$ 860,336
Employee Prior Service Contributions	$ 12,574	$ 21,524	$ 12,149	$ 10,364	$ 13,889	$ 16,731	$ 20,567	$ 124,195	$ 92,764	$ 78,021
Employer Contributions	$ 2,359,718	$ 2,192,325	$ 2,015,316	$ 1,886,793	$ 1,753,657	$ 1,648,621	$ 1,520,819	$ 1,263,298	$ 1,032,715	$ 860,336
Pension Payments	$ 1,000,740	$ 822,243	$ 710,448	$ 559,207	$ 445,218	$ 373,014	$ 245,619	$ 140,443	$ 82,845	$ 49,047
Refund of Contributions & Interest	$ 478,316	$ 388,096	$ 360,402	$ 426,179	$ 244,651	$ 182,903	$ 174,019	$ 283,298	$ 183,498	$ 151,627
Reciprocal Agreement - Transfers In	—	$ 33,690	$ 46,325	$ 17,448	$ 34,811	—	—	—	—	—
Reciprocal Agreement - Transfers Out	$ 27,525	—	$ 37,847	$ 29,779	$ 45,832	$ 16,340	$ 59,797	—	—	—
General Expenses	$ 260,024	$ 213,773	$ 179,956	$ 142,818	$ 113,343	$ 120,699	$ 102,078	$ 120,392	$ 103,557	$ 36,952
Participants in Fund	2,361	2,248	2,120	1,973	1,840	1,807	1,797	1,703	1,518	1,346
Employers Participating	267	265	260	257	247	243	241	238	236	228
Pensioners & Other Recipients	346	295	260	215	186	155	121	91	71	48
Terminated Employees	95	100	82	110	91	85	109	183	138	163
Disability Part of the Pension Plan										
Employee Contributions	$ 179,877	$ 164,182	$ 150,141	$ 142,311	$ 130,668	$ 117,978	$ 105,918	$ 49,415		
Employer Contributions	$ 192,563	$ 176,944	$ 158,053	$ 140,830	$ 130,097	$ 115,978	$ 100,427	$ 46,532		
Pension Payments	$ 231,643	$ 166,974	$ 223,279	$ 115,329	$ 55,135	$ 44,575	$ 15,929	—		
Refund of Contributions & Interest	$ 11,121	$ 12,186	$ 11,915	$ 18,483	$ 9,232	$ 7,193	$ 2,853	—		
Employers Participating	212	205	199	193	189	185	182	174		
Employees in Receipt of Disability Benefits	44	38	39	27	12	7	4	1		
Group Life Insurance Plan										
Employee Contributions	$ 215,831	$ 203,804	$ 187,604	$ 174,768	$ 161,914	$ 149,306	$ 134,791	$ 97,039	$ 65,286	$ 55,107
Employer Contributions	$ 193,497	$ 180,782	$ 162,947	$ 151,077	$ 139,209	$ 128,015	$ 115,191	$ 80,579	$ 51,580	$ 44,055
Death Claims	$ 242,000	$ 290,341	$ 281,250	$ 42,000	$ 184,500	$ 126,170	$ 224,603	$ 142,000	$ 137,618	$ 29,000
Employers Participating	225	221	217	212	206	203	201	199	196	188

Report Highlights (continued)

10 Year Fund Assets

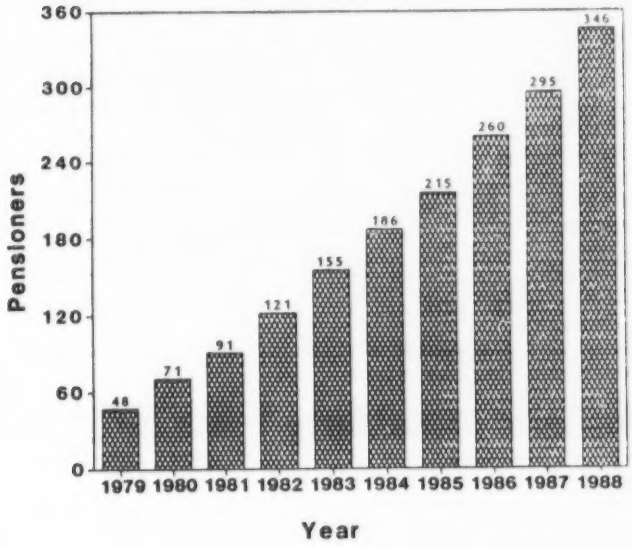


Employees by Year



Report Highlights (continued)

Pensioners by Year



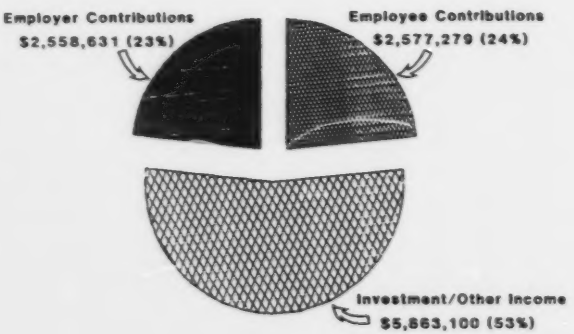
Municipal Employees Benefits Program

Pension Plan Activities

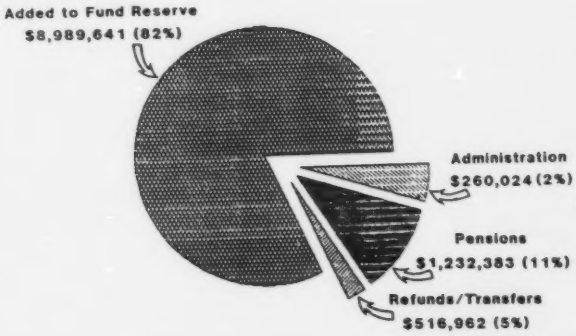
Pension Plan activities in 1988 compared with 1987 are displayed as follows:

	1988	1987	Increase (Decrease)
Book Value of Investments	$61,779,665	$52,937,614	$8,842,051
Investment Income	$5,854,255	$4,865,009	$989,246
Employee Contributions	$2,359,398	$2,195,107	$164,291
Employee Prior Service Payments	$12,574	$21,524	$(8,950)
Employer Contributions	$2,359,718	$2,192,325	$167,393
Pension Payments	$1,000,740	$822,243	$178,497
Refund of Contributions & Interest	$478,316	388,096	$90,220
Reciprocal Agreement Employee & Employer Contributions & Interest			
- Transfers In	$ -	$33,690	$(33,690)
- Transfers Out	$27,525	$ -	$27,525
General Expenses	$260,024	$213,773	$46,251
Participants in Fund	2,361	2,248	113
Employers Participating	267	265	2
Pensioners & Other Recipients	346	295	51
Terminated Employees	95	100	(5)

Pension and Disability Pension Income



Disbursement of Pension and Disability Income



Participation

In 1988, the following employers began participating:

Brandon - Cornwallis Weed Control District
Bren-Del-Win Library Board

As at December 31, 1988, 195 municipalities plus 72 quasi-municipal organizations were participating in the Pension Plan. Participating municipalities with contributing members are listed in Appendix 1, The Report of the Provincial Auditor.

In 1988, 259 employees joined the Plan, bringing the total participants to 2,361. (This figure includes 26 members who were advised to remain in prior pension plans but who contribute to the Disability Pension Part of the Plan.)

Pension Benefits

In 1988, pensions paid totalled $1,000,740, a net increase of $178,497 over 1987.

As at December 31, 1988, pensions were payable to 305 pensioners, 19 beneficiaries, and 22 spouses of employees who died in service. In 1988, 4 employees died in service and the spouses are receiving lifetime annuities, guaranteed for 10 years. There were 48 new retirements in 1988, and 1 Disability Pension granted under the Pension Part of the Plan.

New retirees elected the following pension options:

Pension reducing to two-thirds at pensioner's death	25
Pension reducing to one-half at pensioner's death	2
10 Year Guarantee	3
15 Year guarantee	3
Lifetime*	15
Total	**48**

*NOTE: The majority of pensioners who elected the lifetime pension were either single or had small pensions due to short service.

An amendment to the Pension Benefits Act effective January 1, 1984 requires that employees who at the time of retirement have a spouse must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory form of pension may be waived if the employee's spouse completes a spousal waiver form.

Since 1981, the Municipal Employees Benefits Board has extended to employees who elect to retire early the option of "integrating" their MEBB pension and receiving advances on their Old Age Security and/or Canada Pension. In 1988, ten retirees chose to integrate.

As at December 31, 1988 there were 78 members with paid-up or deferred pensions.

Cost-of-Living Adjustment in Pensions

Effective January 1, 1988 the cost-of-living adjustment payment date was changed from July 1 to January 1. On January 1, 1988, a six month cost-of-living adjustment was paid to eligible pensioners and beneficiaries whose deceased spouses retired prior to July 1, 1986. Cost-of-living adjustments equalling 1.22% (50% of the 2.45% increase in the Consumer Price Index for the six months ending July 1, 1987) were paid. Each employee entitled to the full increase received 14¢ per month for each year of contributory service to a maximum of 35 years plus .61% of the ordinary lifetime pension.

Beneficiaries receive two-thirds of the increase which would have been paid had the retired employee been alive at the date of increase.

Pension Refunds

In 1988, refunds totalling $516,962 were paid. This included refunds of pension contributions and interest, disability pension contributions and interest, plus excess employee contributions and interest (50% test)*. These refunds are divided as follows:

	Number of Employees	Amount of Payment
Terminated Employees - full refund	78	$318,024
Terminated Employees - combination refund and paid-up pension	17	94,366
Transfer out re: marriage breakup	7	44,516
Refund to estates of deceased employees	2	31,813
Transfer out under reciprocal agreement	3	27,525
Refund of excess rollover from Prior Carrier	1	718
		$516,962

*NOTE: If the accumulated employee contributions for the benefit after January 1, 1985 have a value in excess of 50% of the present value of the benefits, the excess must be refunded to the employee or used to provide additional benefits.

Prior Employment Recognition

Up to the end of 1981, the Municipal Employees Benefits Board allowed the purchase of prior service benefits by employees who were employed by municipalities or quasi-municipal organizations prior to the introduction of the MEBB Pension Plan in 1976. When a new employer joins the Plan the existing employees are also given the opportunity to purchase prior service benefits if they elect to do so within three months of the employer's effective date of participation. In 1988, the Board received payments from 9 employees who had elected to obtain credit for prior non-contributory service. These payments totalled $17,437 in 1988.

Reciprocal Pension Agreements - Other Jurisdictions

Reciprocal agreements permitting the transfer of pension credits between MEBB and the following pension plan authorities were in effect at calendar year end.

Alberta Local Authorities Pension Board

Saskatchewan Municipal Employees Superannuation Commission

Ontario Municipal Employees Retirement Board (OMERS)

Government of Canada - Public Service Pension Plan

Reciprocal Pension Agreements - Manitoba Transfers

At 1988 year end, 26 employees whose contributions remain in the MEBB Plan had transferred to the Manitoba Civil Service Superannuation Plan. Pensions paid to these employees at retirement will be based on the best six years earnings out of the last 12 years with the province and/or municipal employer.

	Transfers to MEBB In 1988		Transfers from MEBB In 1988	
	Number	Amount	Number	Amount
Alberta Local Authorities	-	-	3	27,525

Disability Pension Part of the Plan

The Disability Pension Part of the Plan came into being on June 1, 1981. Activities in 1988 compared with 1987 are as follows:

Disability Pension Part of the Plan	1988	1987	Increase (Decrease)
Employee Contributions	$179,877	$164,182	$15,695
Employer Contributions	$192,563	$176,944	$15,619
Pension Payments	$231,643	$166,974	$64,669
Refund of Contributions & Interest	$11,121	$12,186	$(1,065)
Employers Participating	212	205	7
Employees in Receipt of Disability Benefits	44	38	6

Effective January 1, 1988, a cost-of-living adjustment was paid to all employees in receipt of disability benefits under the Disability Pension Part of the Plan. This initial cost-of-living increase was cumulative and included increases retroactive from the date of commencement of the disability pension. Some employees received increases as high as 16%.

Group Life Insurance Plan

At 1988 year end, 163 municipalities plus 63 quasi-municipal corporations participated in the group life insurance program. Activities in 1988 compared with 1987 are as follows:

Group Life Insurance Plan	1988	1987	Increase (Decrease)
Employee Contributions	$215,831	$203,804	$12,027
Employer Contributions	$193,497	$180,782	$12,715
Death Claims	$242,000	$290,341	$(48,341)
Employers Participating	225	221	4

Municipal Employees Benefits Board Information Services

Board staff members are available to answer inquiries or meet individually with any employee (and spouse, family, etc.) who wishes information and assistance on termination or retirement planning or other matters of concern. During 1988, many municipal employees and spouses took advantage of this informtion and counselling service.

In 1988, the Municipal Employees Benefits Board conducted four informational seminars and two day-long pre-retirement counselling seminars.

An Annual Employee Benefits Statement detailing plan member's status, contributions, contributory service, current and projected pension benefits, and the amount of group insurance coverage was distributed to each member. Members were also sent a copy of the Annual Report.

Report on Changes in Status - Participants

For the year ended December 31, 1988

Males

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1988
-19	4				5
20-24	21	7			53
25-29	38	10			198
30-34	23	7	2		265
35-39	20	9			275
40-44	17	5			247
45-49	12	3	1		190
50-54	12	1		1	215
55-59	9			9	182
60-	3	1	3	31	158
	159	43	6	41	1788

Females

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1988
-19	1				1
20-24	14	6			49
25-29	22	7			93
30-34	19	8			90
35-39	14	5			89
40-44	9	6			85
45-49	5	1			80
50-54	3				42
55-59	1	1		2	24
60-				6	20
	88	34		8	573
Totals	**247**	**77**	**6**	**49**	**2361**

Actuarial Studies

Pension Plan Benefit Improvements Financed Out of Actuarial Surplus

The January 1, 1986 Actuarial Report disclosed a surplus of $2,445,523 based on the service to date valuation method. The Board used a portion of the surplus to finance the following improvements in benefits effective July 1, 1987:

(1)The early retirement reduction was lowered from 1/8 of 1% to 1/16 of 1% for each month that an employee retires prior to attaining age 60. The actuarial cost of this benefit was $62,900.

(2) The pension formula was improved by reducing from 7 to 6, the number of years used in calculating a member's final average earnings. The cost of this benefit was $1,012,900.

The remainder of the surplus shall remain in the Fund as a reserve for future contingencies.

Investments

The following comparative table illustrates investments held in trust by the Municipal Employees Benefits Board as of December 31, 1988.

Investment Holdings	1988 ($000)	1987 ($000)	Increase (Decrease) ($000)
Bonds:			
Federals & Provincials	3,922	3,040	882
City & Municipal	627	750	(123)
Corporate	9,774	9,308	466
Pooled Bond Funds	6,362	5,786	576
Calendar Year Funds	2,597	3,004	(407)
	23,282	21,888	1,394
Mortgages:			
CMHC Insured	2,217	2,508	(291)
Pooled Mortgage Funds	18,444	15,888	2,556
	20,661	18,396	2,265
Short Term Certificates	6,025	1,041	4,984
Equities			
Common Stock	4,185	5,312	(1,127)
Petroleum & Natural Gas Interests	942	607	335
	5,127	5,919	(792)
Real Estate	5,933	5,385	548
Total	**61,028**	**52,629**	**8,399**

NOTE: The average yield on new bonds purchased in 1988 was 10.85%.

Appendix 1

Manitoba

THE MUNICIPAL EMPLOYEE BENEFITS FUND

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A to H and Schedules 1 to 4, of The Municipal Employee Benefits Fund for the fiscal year ended December 31, 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

F. H. Jackson, CA,
Provincial Auditor.

March 21, 1989,
Winnipeg, Manitoba.

Exhibit A

The Municipal Employee Benefits Fund

Balance Sheet - Pension Fund

as at December 31, 1988

	1988	1987
ASSETS		
Cash	$ 8,332	$ (79,956)
Employees' and employers' contributions receivable	519,720	454,830
Investments, Schedule 1, Note 2(a)	61,779,665	52,937,614
Accrued investment income	537,820	407,146
Computer Equipment, Note 2(d)	12,677	14,274
	$62,858,214	$53,733,908
LIABILITIES		
Accounts payable	$ 23,315	$ 26,590
Money Purchase Accounts Plan, Exhibit H, Note 9	34,406	20,559
Provision for investment losses, Exhibit E, Note 2(b)	643,566	519,472
Pension indexing adjustment account, Exhibit F, Note 5	3,679,373	3,305,992
Long Term Disability indexing adjustment account, Exhibit G, Note 6	1,018,669	—
Reserve for present and future pension benefits, Exhibit C	57,458,885	49,861,295
	$62,858,214	$53,733,908

Exhibit B

The Municipal Employee Benefits Fund

Balance Sheet - Insurance Fund

as at December 31, 1988

	1988	1987
ASSETS		
Cash	$ 39,641	$ 26,159
Employees' and employers' contributions accrued, Note 2(f)	33,031	30,951
Funds on deposit with The Prudential Assurance Company Limited	133,074	131,133
Term deposits	600,000	500,000
Accrued interest	11,891	7,287
	$ 817,637	$ 695,530
LIABILITIES		
Accounts payable	$ 3,515	$ 2,734
Insurance contributions account, Note 2(f)	34,501	32,701
Reserve for present and future insurance benefits, Exhibit D	779,621	660,095
	$ 817,637	$ 695,530

Exhibit C

The Municipal Employee Benefits Fund

Statement of Changes in the Reserve for Present and Future Pension Benefits

for the year ended December 31, 1988

	1988	1987
Additions:		
Employers' and employees' contributions, Schedule 2	$5,135,910	$ 4,817,243
Investment income, net, Schedule 3	5,854,255	4,865,009
Experience refund re prior carrier, Note 3	—	4,019
Bank and other interest	8,845	11,806
Total additions	10,999,010	9,698,077
Deductions:		
Pension - regular	1,000,740	822,243
- long term disability	231,643	166,974
Refunds of contributions and interest, Note 2(c)	489,437	400,282
Payments of contributions and interest to other pension plans	27,525	—
Administrative expenses, Schedule 4, Note 4	260,024	213,773
Total deductions	2,009,369	1,603,272
Net increase for the year	$ 8,989,641	$ 8,094,805

Changes in the Reserve for Present and Future Pension Benefits

Balance at beginning of year	$49,861,295	$42,115,626
Net increase for the year	8,989,641	8,094,805
Net transfer to pension indexing adjustment account, Exhibit F	(373,382)	(349,136)
Net transfer to Long Term Disability indexing adjustment account, Exhibit G	(1,018,669)	—
Balance at end of year, Exhibit A	**$57,458,885**	**$49,861,295**

Exhibit D

The Municipal Employee Benefits Fund

Statement of Changes in the Reserve for Present and Future Insurance Benefits

for the year ended December 31, 1988

	1988	1987
Additions:		
Contributions:		
Employees	$ 215,831	$ 203,804
Employers	193,497	180,782
Total contributions	409,328	384,586
Interest income	54,297	36,345
Increase (Decrease) in experience surplus held by the Prudential Asssurance Company Limited, Note 8(a)	1,941	(346)
Insurance experience refund, Note 8(a)	—	43,880
Total additions	465,566	464,465
Deductions:		
Actuarial fees	17,952	13,698
Premiums to The Prudential Assurance Company Limited	328,088	301,645
Total deductions	346,040	315,343
Net increase for the year	**$ 119,526**	**$ 149,122**

Changes in the Reserve for Present and Future Insurance Benefits

Balance at beginning of year	$ 660,095	$ 510,973
Net increase for the year	119,526	149,122
Balance at end of year, Exhibit B	**$ 779,621**	**$ 660,095**

Exhibit E

The Municipal Employee Benefits Fund

Statement of Changes in the Provision for Investment Losses

for the year ended December 31, 1988

	1988	1987
Additions:		
Transfer from investment income, Schedule 3	$ 124,094	$ 102,350
Total additions	124,094	102,350
Balance at beginning of year	519,472	417,122
Balance at end of year, Exhibit A	**$ 643,566**	**$ 519,472**

Exhibit F

The Municipal Employee Benefits Fund

Statement of Changes in the Pension Indexing Adjustment Account

for the year ended December 31, 1988

	1988	1987
Additions:		
Interest	$ 418,623	$ 375,457
Total additions	418,623	375,457
Deductions:		
Charge for pension cost-of-living adjustments	45,242	26,321
Net transfer from reserve for present and future pension benefits, Exhibit C, Note 5	373,381	349,136
Balance at beginning of year	3,305,992	2,956,856
Balance at end of year, Exhibit A	**$3,679,373**	**$ 3,305,992**

Exhibit G

The Municipal Employee Benefits Fund

Statement of Changes in the Long Term Disability (LTD) Indexing Adjustment Account

for the year ended December 31, 1988

	1988	1987
Additions:		
Initial transfer to establish the LTD indexing adjustment account	$ 911,200	$ —
Interest	115,616	—
Total additions	1,026,816	—
Deductions:		
Charge for LTD cost-of-living adjustments	8,147	—
Net transfer from reserve for present and future LTD benefits, Exhibit C, Note 6	1,018,669	—
Balance at beginning of year	—	—
Balance at end of year, Exhibit A	**$1,018,669**	**$ —**

Exhibit H

The Municipal Employee Benefits Fund

Statement of Money Purchase Accounts Plan

for the year ended December 31, 1988

	1988	1987
Additions:		
Deposits	$ 15,261	$ 12,850
Interest	2,611	604
	$ 17,872	$ 13,454
Deductions:		
Refund of deposits	3,698	—
Administration fees charged by the Municipal Employees Benefits Board	327	—
	4,025	—
Increase for the year	13,847	13,454
Balance at beginning of year	20,559	7,105
Balance at end of year, Exhibit A	**$ 34,406**	**$ 20,559**

Schedule 1

The Municipal Employee Benefits Fund

Summary of Investments

as at December 31, 1988

	Par Value	Book Value	1987 Book Value
Fixed income investments:			
Term deposits	$ 6,024,892	$ 6,024,892	$ 1,040,792
Bonds and debentures:			
Government of Canada	$ 2,685,000	2,688,939	2,689,533
Province of Ontario	1,000,000	983,141	100,000
Province of Saskatchewan	250,000	250,000	250,000
Hospitals	250,000	250,000	250,000
Municipal Corporations	377,000	377,000	500,000
Corporations	9,868,000	9,773,897	9,308,080
	$14,430,000	14,322,977	13,097,613
Pooled bond funds		6,361,937	5,786,322
Calendar year funds		2,597,355	3,003,982
Mortgages - National Housing Act (Canada)	$ 2,237,867	2,216,477	2,508,260
Pooled Mortgage Funds		18,444,451	15,888,148
Unamortized net gains on disposition		(330,527)	(385,279)
Total fixed income investments at amortized cost, Note 2(a) (i)		49,637,562	40,939,838
Equity investments:			
Pooled equity funds		4,184,938	5,312,130
Petroleum & natural gas investments, shares		942,125	606,875
Real estate			
Units of pooled real estate		5,933,405	5,385,347
Unamortized losses (gains) on disposition		100,051	(6,675)
Unrealized appraisal adjustments		981,584	700,099
Total equity investments, Note 2(a) (ii)		12,142,103	11,997,776
Total Investments, Exhibit A		**$61,779,665**	**$52,937,614**

Schedule 2
Page 1

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Municipal corporations	Employers' contributions	Employees' contributions	Total	1987 Total
Cities				
Brandon	$546,328	$546,328	$1,092,656	$1,053,288
Flin Flon	64,552	64,552	129,104	123,398
Portage la Prairie	82,805	82,805	165,610	153,902
Thompson	166,670	166,670	333,340	298,226
	860,355	860,355	1,720,710	1,628,814
Local government districts				
Alexander	5,250	5,250	10,500	9,618
Alonsa	1,527	1,527	3,054	2,225
Armstrong	771	771	1,542	1,704
Churchill	45,416	45,416	90,832	86,854
Consol	1,355	1,355	2,710	2,364
Fisher	3,980	3,980	7,960	6,342
Gillam	36,852	36,852	73,704	63,414
Grahamdale	739	739	1,478	1,416
Grand Rapids	4,877	4,877	9,754	8,228
Lynn Lake	13,733	13,733	27,466	24,890
Mountain	1,908	1,908	3,816	1,360
Mystery Lake	12,501	12,501	25,002	22,142
Park	415	282	697	892
Pinawa	19,906	19,906	39,812	42,183
Reynolds	1,130	1,130	2,260	1,796
	150,360	150,227	300,587	275,428
Rural municipalities				
Albert	1,608	1,608	3,216	2,182
Argyle	4,379	4,379	8,758	9,126
Arthur	2,877	2,877	5,754	5,278
Bifrost	5,165	5,165	10,330	8,632
Birtle	3,288	3,288	6,576	7,208
Blanshard	3,234	3,234	6,468	6,356
Brenda	6,035	6,035	12,070	11,260
Brokenhead	4,899	4,899	9,798	11,276
Cameron	3,158	3,158	6,316	5,874
Subtotal, carried forward	$ 34,643	$ 34,643	$ 69,286	$ 67,192

Schedule 2
Page 2

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Municipal corporations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 34,643	$ 34,643	$ 69,286	$ 67,192
Rural municipalities (cont.)				
Cartier	7,535	7,535	15,070	11,180
Clanwilliam	1,794	1,794	3,588	3,862
Coldwell	2,944	2,944	5,888	5,242
Cornwallis	4,049	4,049	8,098	7,706
Daly	2,466	2,466	4,932	4,830
Dauphin	9,157	9,114	18,271	18,936
De Salaberry	8,669	8,669	17,338	16,176
Dufferin	8,459	8,459	16,918	18,644
East St. Paul	14,908	14,908	29,816	28,528
Edward	6,332	6,332	12,664	12,738
Ellice	1,796	1,796	3,592	3,434
Elton	3,358	3,258	6,616	6,516
Eriksdale	2,105	2,105	4,210	3,892
Ethelbert	330	330	660	—
Franklin	8,358	8,358	16,716	14,448
Gilbert Plains	4,669	4,669	9,338	12,080
Gimli	7,989	7,989	15,978	16,456
Glenella	1,635	1,635	3,270	3,160
Glenwood	2,078	2,035	4,113	4,284
Grandview	6,902	6,902	13,804	12,802
Grey	7,468	7,468	14,936	14,246
Hamiota	3,301	3,301	6,602	4,810
Hanover	12,810	12,810	25,620	23,376
Harrison	2,819	2,819	5,638	5,594
Hillsburg	2,742	2,742	5,484	5,484
La Broquerie	5,774	5,774	11,548	7,984
Lac du Bonnet	9,440	9,440	18,880	16,964
Lakeview	1,875	1,875	3,750	3,566
Langford	3,335	3,335	6,670	6,300
Lansdowne	3,646	3,646	7,292	7,016
Lawrence	4,127	4,127	8,254	8,260
Lorne	5,165	5,165	10,330	11,624
Louise	3,540	3,540	7,080	7,842
Macdonald	15,600	15,600	31,200	29,468
McCreary	1,896	1,896	3,792	3,444
Miniota	4,801	4,801	9,602	9,102
Minitonas	4,345	4,345	8,690	9,902
Minto	3,673	3,673	7,346	4,020
Subtotal, carried forward	$236,533	$236,347	$ 472,880	$ 451,108

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Municipal corporations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 236,533	$ 236,347	$ 472,880	$ 451,108
Rural municipalities (cont.)				
Montcalm	7,210	7,210	14,420	12,592
Morris	14,303	14,303	28,606	26,024
Morton	3,448	3,448	6,896	4,512
Mossey River	3,382	3,382	6,764	6,044
North Cypress	6,710	6,710	13,420	14,000
North Norfolk	8,007	8,007	16,014	14,916
Ochre River	2,355	2,355	4,710	3,886
Odanah	2,084	2,084	4,168	3,646
Pembina	10,159	10,159	20,318	18,480
Pipestone	12,594	12,594	25,188	18,004
Portage la Prairie	27,140	27,140	54,280	53,760
Rhineland	10,426	10,426	20,852	19,832
Ritchot	8,766	8,766	17,532	16,200
Riverside	2,368	2,368	4,736	3,548
Roblin	4,001	4,001	8,002	8,720
Rockwood	9,052	9,052	18,104	16,868
Roland	5,976	5,976	11,952	8,604
Rosedale	5,385	5,385	10,770	14,178
Rosser	5,077	5,077	10,154	9,404
Russell	748	748	1,496	656
St. Andrews	16,674	16,674	33,348	27,204
Ste. Anne	3,801	3,801	7,602	7,456
St. Clements	15,540	15,540	31,080	22,274
St. Francois Xavier	1,410	1,410	2,320	2,598
St. Laurent	1,847	1,847	3,694	3,356
Ste. Rose	3,733	3,733	7,466	6,048
Saskatchewan	3,312	3,312	6,624	6,634
Shellmouth	4,740	4,740	9,480	8,684
Shell River	4,169	4,169	8,338	9,176
Shoal Lake	1,636	1,636	3,272	1,672
Sifton	3,316	3,316	6,632	6,388
Siglunes	2,551	2,551	5,102	4,946
Silver Creek	2,708	2,708	5,416	5,410
South Cypress	5,509	5,509	11,018	11,636
South Norfolk	2,438	2,438	4,876	5,124
Springfield	21,151	21,151	42,302	37,658
Subtotal, carried forward	$ 480,259	$ 480,073	$ 960,332	$ 891,246

Schedule 2
Page 4

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Municipal corporations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 480,259	$ 480,073	$ 960,332	$ 891,246
Rural municipalities (cont.)				
Stanley	8,532	8,532	17,064	17,166
Strathclair	2,179	2,179	4,358	4,110
Strathcona	4,379	4,379	8,758	6,582
Swan River	5,774	5,774	11,548	10,914
Tache	10,137	10,137	20,274	16,668
Thompson	5,365	5,365	10,730	10,190
Turtle Mountain	2,916	2,916	5,832	5,708
Victoria	4,620	4,620	9,240	8,150
Victoria Beach	4,923	4,923	9,846	8,636
Wallace	5,793	5,793	11,586	10,014
Westbourne	7,708	7,708	15,416	15,792
West St. Paul	7,621	7,621	15,242	13,734
Whitehead	2,887	2,887	5,774	5,504
Whitemouth	3,410	3,410	6,820	5,938
Whitewater	2,580	2,580	5,160	6,454
Winchester	6,044	6,044	12,088	11,306
Woodlands	7,061	7,061	14,122	13,504
Woodworth	4,491	4,491	8,982	8,322
	576,679	576,493	1,153,172	1,069,938
Towns				
Altona	18,920	18,920	37,840	32,998
Beausejour	11,408	11,408	22,816	21,624
Birtle	8,427	8,427	16,854	5,894
Boissevain	5,315	5,315	10,630	9,974
Carberry	4,915	4,914	9,829	10,485
Carman	9,943	9,943	19,886	14,932
Dauphin	57,439	57,439	114,878	107,129
Deloraine	7,435	7,435	14,870	13,414
Emerson	3,080	3,080	6,160	6,172
Gimli	8,534	8,534	17,068	16,486
Gladstone	2,952	2,952	5,904	5,800
Grandview	5,738	5,738	11,476	10,888
Hartney	2,178	2,178	4,356	4,214
Killarney	7,523	7,523	15,046	12,366
Subtotal, carried forward	$153,807	$153,806	$ 307,613	$ 272,376

Schedule 2
Page 5

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Municipal corporations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 153,807	$ 153,806	$ 307,613	$ 272,376
Towns (cont.)				
Leaf Rapids	16,831	16,831	33,662	34,130
Melita	5,149	5,149	10,298	9,954
Minnedosa	12,924	12,924	25,848	24,194
Morden	26,000	26,000	52,000	48,422
Morris	5,349	5,349	10,698	9,648
Neepawa	20,532	20,532	41,064	39,734
Rapid City	581	581	1,162	528
Rivers	4,641	4,641	9,282	9,392
Roblin	9,427	9,427	18,854	19,203
Russell	6,309	6,309	12,618	12,310
Selkirk	64,148	64,148	128,296	119,684
Snow Lake	10,606	10,606	21,212	20,154
Souris	9,169	9,169	18,338	17,810
Steinbach	31,656	31,656	63,312	60,999
Stonewall	10,684	10,684	21,368	20,368
Swan River	23,520	23,520	47,040	39,156
The Pas	44,268	44,268	88,536	85,692
Virden	13,294	13,294	26,588	28,724
Winkler	29,901	29,901	59,802	44,938
Winnipeg Beach	5,388	5,388	10,776	15,044
	504,184	504,183	1,008,367	932,460
Villages				
Arborg	4,381	4,381	8,762	7,004
Benito	1,801	1,801	3,602	4,180
Binscarth	2,648	2,648	5,296	1,398
Bowsman	1,547	1,547	3,094	2,936
Cartwright	919	919	1,838	2,242
Crystal City	2,136	2,136	4,272	4,014
Dunnottar	5,688	5,688	11,376	11,718
Elkhorn	1,756	1,756	3,512	2,218
Erickson	2,046	2,046	4,092	3,910
Gilbert Plains	4,504	4,504	9,008	8,940
Glenboro	2,400	2,400	4,800	4,588
Gretna	1,558	1,558	3,116	3,164
Hamiota	5,319	5,319	10,638	9,872
Subtotal, carried forward	$ 36,703	$ 36,703	$ 73,406	$ 66,184

Schedule 2
Page 6

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Municipal corporations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 36,703	$ 36,703	$ 73,406	$ 66,184
Villages (cont.)				
Lac du Bonnet	3,962	3,962	7,924	8,055
MacGregor	1,679	1,679	3,358	3,230
Manitou	1,785	1,785	3,570	3,844
McCreary	688	688	1,376	844
Minitonas	915	915	1,830	1,760
Niverville	4,342	4,342	8,684	7,178
Notre Dame de Lourdes	1,785	1,785	3,570	3,410
Pilot Mound	2,583	2,583	5,166	5,020
Plum Coulee	2,222	2,222	4,444	4,172
Powerview	1,691	1,691	3,382	3,794
Riverton	1,587	1,587	3,174	2,780
Ste. Anne	6,580	6,580	13,160	16,154
St. Claude	2,087	2,087	4,174	3,810
St. Lazare	971	971	1,942	1,698
St. Pierre	3,685	3,685	7,370	5,319
Ste. Rose du Lac	2,436	2,436	4,872	3,872
Shoal Lake	2,107	2,107	4,214	4,810
Somerset	1,493	1,493	2,986	2,804
Teulon	2,736	2,736	5,472	4,914
Treherne	4,078	4,078	8,156	6,622
Waskada	814	814	1,628	1,540
Wawanesa	618	618	1,236	1,194
Winnipegosis	3,477	3,477	6,954	5,964
	91,024	91,024	182,048	168,972
Quasi-municipal organizations				
Weed control boards and districts				
Agassiz	1,155	1,155	2,310	2,220
Argyle-Lorne-Somerset	931	931	1,862	1,912
Arthur-Edward	977	977	1,954	1,866
Brenda-Winchester	1,012	1,012	2,024	1,830
Cameron-Sifton	645	645	1,290	1,382
Dauphin-Ochre	978	978	1,956	1,868
Franklin	1,104	1,104	2,208	2,024
Gilbert Plains-Grandview	820	820	1,640	1,406
Subtotal, carried forward	$ 7,622	$ 7,622	$ 15,244	$ 14,508

Schedule 2
Page 7

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 7,622	$ 7,622	$ 15,244	$ 14,508
Weed control boards and districts (cont.)				
Glenboro-South Cypress	946	946	1,892	1,760
Louise-Roblin	968	968	1,936	1,804
Macdonald	1,056	1,056	2,112	1,892
North Norfolk and District	1,226	1,226	2,452	2,292
North Cypress	1,037	1,037	2,074	932
Pembina-Manitou	1,508	1,508	3,016	2,910
Pipestone-Albert	1,102	1,102	2,204	1,916
Red River	1,100	1,100	2,200	1,944
Rockwood-Rosser	1,144	1,144	2,288	2,084
Rosedale-Langford-Neepawa	139	139	278	1,156
Selkirk	1,253	1,253	2,506	2,346
South Central	1,034	1,034	2,068	1,936
Southeast	1,137	1,137	2,274	1,686
Springfield-Tache	1,286	1,286	2,572	2,412
Stanley-Thompson	746	746	1,492	1,784
Stuartburn-Piney	1,100	1,100	2,200	2,024
Wallace	869	869	1,738	646
Westbourne	990	990	1,980	1,804
Whitemouth-Reynolds	1,035	1,035	2,070	1,990
	27,298	27,298	54,596	49,826
Other				
Alonsa Conservation District	1,520	1,520	3,040	2,642
Boissevain-Morton Regional Library	780	780	1,560	1,500
Boyne Regional Library	954	954	1,908	1,162
Brandon and Area Planning District	8,433	8,433	16,866	15,368
Bren-Del-Win Library	504	504	1,008	—
Brokenhead River Planning District	783	783	1,566	1,498
Carberry Plains Cemetery	610	610	1,220	1,494
Carberry Plains Community Centre Board	719	719	1,438	1,990
Carman-Dufferin Recreation Commission	3,397	3,397	6,794	5,962
Subtotal, carried forward	$ 17,700	$ 17,700	$ 35,400	$ 31,616

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 17,700	$ 17,700	$ 35,400	$ 31,616
Other (cont.)				
Cypress Planning District	403	403	806	—
Dauphin Memorial Community Centre	2,067	2,067	4,134	3,250
Dauphin-Ochre Parks and Recreation Committee	881	881	1,762	1,694
Flin Flon Recreation Commission	11,272	11,272	22,544	27,688
Jolys Regional Library	571	571	1,142	1,098
Leaf Rapids Town Properties	6,323	6,323	12,646	11,970
Lynn Lake Recreation Board	1,760	1,760	3,520	2,160
Manitoba Association of Urban Municipalities	3,058	3,058	6,116	5,964
Minnedosa Regional Library	1,159	1,159	2,318	2,104
Morden-Stanley-Thompson-Winkler Planning District	3,775	3,775	7,550	6,840
Municipal Employees Benefits Board	5,149	5,149	10,298	7,032
North Cypress-Carberry-Elton Recreation District	831	831	1,662	1,598
Neepawa and Area Planning District	591	591	1,182	736
Northern Community Council	39,266	39,266	78,532	73,054
Parkland Regional Library	6,422	6,422	12,844	11,772
Portage Plains Regional Library	1,911	1,911	3,822	1,820
Reston District Library Board	688	688	1,376	1,060
Selkirk and District Planning Area Board	2,631	2,631	5,262	2,914
South Central Regional Library Board	2,623	2,623	5,246	3,552
South Interlake Planning District Board	2,551	2,551	5,102	4,224
South Interlake Regional Library Board	2,941	2,941	5,882	1,840
South Riding Mountain Planning District	1,004	1,004	2,008	630
Subtotal, carried forward	$ 115,577	$ 115,577	$ 231,154	$ 204,616

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1988

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total	1987 Total
Subtotal, brought forward	$ 115,577	$ 115,577	$ 231,154	$ 204,616
Others (cont.)				
Southwestern Manitoba Regional Library	1,048	1,048	2,096	1,790
St. Malo Arena Board	1,056	1,056	2,112	2,676
Tiger Hills Recreation District	276	276	552	—
Turtle Mountain Conservation District	1,817	1,817	3,634	3,508
Turtle River Watershed Conservation District #2	7,011	7,011	14,022	4,402
Union of Manitoba Municipalities	3,927	3,927	7,854	7,214
Unincorporated Village District of Cranberry Portage	2,540	2,540	5,080	4,956
Western Manitoba Centennial Auditorium	3,945	3,945	7,890	7,436
Western Manitoba Regional Library Board	6,684	6,684	13,368	11,128
Whitemud Watershed Conservation District #1	5,079	5,079	10,158	12,586
Winnipeg River Planning District	858	858	1,716	1,682
	149,818	149,818	299,636	261,994
Total regular pension contributions	2,359,718	2,359,398	4,719,116	4,387,432
Contributions based on prior non-pensionable employment	4,863	12,574	17,437	33,802
Long term disability pensions	192,563	179,877	372,440	341,126
Receipts from other pension plans re transfer of employee benefits under reciprocal agreements	—	—	—	33,690
Transfer from prior carrier, Note 3	—	25,430	25,430	21,193
Interest on outstanding contributions	1,487	—	1,487	—
Total pension contributions, Exhibit C	**$ 2,558,631**	**$2,577,279**	**$5,135,910**	**$4,817,243**

Schedule 3

The Municipal Employee Benefits Fund

Statement of Investment Income

for the year ended December 31, 1988

	1988	1987
Fixed income, Note 2 (a) (i):		
Interest	$4,870,217	$ 4,197,389
Amortization of discounts and premiums	19,130	28,969
Amortization of net realized gains, Note 2(a) (i)	54,752	54,752
Transfer to provision for investment losses, Exhibit E	(124,094)	(102,350)
	4,820,005	4,178,760
Equity income, Note 2 (a) (ii):		
Real estate - dividends and interest	455,657	290,689
Other dividends and interest	338,633	194,559
Partial unrealized appraisal adjustments, net, Note 2(a) (ii)	281,485	214,052
Amortization of realized (losses) gains	(18,338)	6,675
	1,057,437	705,975
Gross investment income	$ 5,877,442	$ 4,884,735
Less, investment related expenses, Note 10	23,187	19,726
Total investment income, Exhibit C	**$ 5,854,255**	**$ 4,865,009**

Schedule 4

The Municipal Employee Benefits Fund

Statement of Administrative Expenses

for the year ended December 31, 1988

	1988	1987
Salaries and fringe benefits:		
Salaries - permanent staff	$ 175,113	$ 128,593
Salaries - part-time staff	223	6,491
Fringe benefits	12,874	10,076
Health and post-secondary education tax levy	1,282	—
	189,492	145,160
Professional fees:		
Actuary	13,520	26,225
Audit	12,585	10,775
Rehabilitation Counsellor	4,422	—
	30,527	37,000
Printing and stationery:		
Printing	9,362	12,217
Stationery and supplies	4,898	5,602
	14,260	17,819
Other:		
Bank and investments	2,095	1,643
Computer related costs	8,635	9,689
Furniture and fixtures	5,472	6,879
Medical examinations	5,807	4,093
Miscellaneous	6,545	1,350
Pension commission	5,000	750
Seminars and travelling	4,557	7,471
Telephone, postage and delivery	11,148	1,645
	49,259	33,520
Total administrative expenses	$ 283,538	$ 233,499
Less:		
Investment related expenses, Note 10	(23,187)	(19,726)
Money Purchase Accounts Plan Recovery, Note 9	(327)	—
Total administrative expenses, net, Exhibit C	**$ 260,024**	**$ 213,773**

The Municipal Employee Benefits Fund

Notes to the Financial Statements

for the year ended December 31, 1988

1. **Nature of the Organization:**

   The Municipal Employees Benefits Board was established under The Municipal Act in 1976 and is responsible for administering The Municipal Employee Benefits Fund. This Fund is the vehicle through which pension (regular and long term disability) and group insurance programs are delivered for municipal and quasi-municipal employees. These programs are provided for by regulation under The Municipal Act. The administrative expenses incurred in delivering these programs are set out in Schedule 4.

2. **Significant Accounting Policies:**

   The significant accounting policies are summarized below:

   (a) The investment valuation and income measurement policies consist of:

   (i) Fixed income investments:

   Book value for the investments is cost plus or minus amortized premium or discount in excess of 1%.

   Premiums and discounts of one percent or less of par value are reflected in income in the year of acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the investment commencing with the year of acquisition.

   Gains or losses on disposition before maturity are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments.

   Investment income is reduced annually by 1/4 of 1% of the book value of investments to a maximum of the provision not exceeding 3% of the book value of the investments and the amount of the reduction is credited to the provision for investment losses.

   (ii) Equity investments:

   Equity investments are recorded at cost.

   Equity investments are valued annually. One-fifth of any unrealized gain or loss is reflected in income and the corresponding amount is added to an unrealized appraisal adjustment account.

   One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

   (b) Provision for investment losses:

   The provision for investment losses, shown in the Balance Sheet, does not reflect a valuation of the investments, but is maintained to stabilize and even out the investment income. Any impairment in the value of investments, if considered permanent by the Investment Committee, will be charged against the provision.

   (c) Refunds:

   The Fund's policy is to reflect refunds of employees' contributions on the cash method of accounting.

   (d) Computer equipment:

   Mini computer equipment costs are

capitalized and amortized on a straight line basis over six years.

(e) Fixed Assets:

Furniture and equipment purchases are charged to operations in the year of acquisition.

(f) Group Life Insurance:

The Fund has included contributions by employees and participating organizations in the month of December pertaining to coverage for January in its accounts. This is reflected in the financial statements as insurance contributions accrued and is offset by the insurance contributions account.

3. **Transfers from Prior Carriers:**

The Municipal Employees Benefits Board's actuary has been arranging, on behalf of the Board, for the transfer of funds pertaining to municipal employees prior service from prior carriers for employees who have agreed to have these funds transferred to the Fund. As at December 31, 1988, transfers have been made amounting to $3,536,273 (1987 - $3,510,841). As at December 31, 1988 experience rating refunds have been received amounting to $579,617 (1987 - $579,617). Transfers which have been vested are shown as employee contributions.

The funds transferred remain with prior carriers who are holding them in trust for the Fund in accordance with the terms of the contracts. These contracts provide that the Fund, with minor restrictions, can take complete control of the funds with the following exceptions: one contract reserves the right to limit withdrawals of funds to 25% in any one year and one contract provides for a penalty commencing at 5% and reducing progressively until eliminated by 1991. As a result of the transfers, the Board assumes responsibility for the related pension liabilities.

4. **Administrative Services:**

The Municipal Employees Benefits Board entered into an agreement with The Civil Service Superannuation Board to provide administrative services to The Municipal Employees Benefits Board with regard to its Pension Plan and Group Insurance Plan operations. In accordance with the terms of the agreement, The Municipal Employees Benefits Board reimburses The Civil Service Superannuation Board for the cost of these services. These costs amounted to $46,668 (1987 - $52,729) and are included in administrative expenses.

5. **Pension Indexing Adjustment Account:**

The Municipal Employees Benefits Board approved a revision to the cost-of-living program, effective July 1, 1985, which provides for cost-of-living adjustments to pension payments to a maximum of the lesser of 50% of the Consumer Price Index of Canada or 5%, subject to the ability of the Pension Indexing Adjustment Account to finance the increase without creating an unfunded liability. Also, on July 1, 1985, a pension indexing adjustment account was established to finance these cost-of-living adjustments. An initial transfer was made to this account from the reserve for present and future pension benefits in the amount of $2,376,200. Interest is credited semi-annually to the account at the average rate of return on fixed income investments during the three year period reviewed in the latest actuarial report on the financial position of the Pension Plan. Cost-of-living adjustments are charged to the account.

The timing for the cost-of-living adjustment payment was changed from July 1 to January 1 and an actuarial report was prepared for the six month transitional period ending December 31, 1987. Commencing January, 1988 cost-of-living pension adjustment payments are calculated in accordance with the reports prepared by the actuary and approved by the Board.

The annual actuarial valuation of the pension indexing adjustment account as at July 1, 1987 indicated that $2,849,310 was available to actuarially finance additional cost-of-living increases for pensioners. Effective January 1, 1988, the Board approved and paid the actuarially calculated pension adjustment for 1988 equal to:

(a) .61% (1987 - 1.04%) of the total lifetime pension plus any previously granted adjustments in that allowance, and

(b) 14¢ (1987 - 24¢) per month for each year of contributory service, to a maximum of 35 years,

for those employees who retired before July 1, 1986. Employees who retired after that date, but before December 31, 1986, were paid a pro-rata portion of the adjustment. Beneficiaries of deceased pensioners receive two-thirds of the adjustment that the pensioner would have been eligible for. The present value of the July 1, 1987 adjustment has been actuarially calculated to be equal to $65,800 as at January 1, 1988, leaving a balance of $2,783,510 available in the pension indexing adjustment account as at that date.

6. **Long Term Disability (LTD) Indexing Adjustment Account:**

During 1988 the Municipal Employees Benefits Board approved a cost-of-living program for LTD pension payments which is limited to the lesser of 50% of the increase in the Consumer Price Index or 5% subject to the ability of the LTD Indexing Adjustment Account to finance the increase without creating unfunded liability. An initial transfer was made to this account from the reserve for present and future pension benefits in the amount of $911,200. Interest is credited semi-annually to the account at the average rate of return on fixed income investments during the period reviewed in each triennial actuarial report on the financial position of the Fund. Cost-of-living adjustments are charged to the account.

Commencing January, 1988 and each January thereafter, cost-of-living LTD adjustment payments are calculated in accordance with the report prepared by the actuary and approved by the Board. The annual actuarial valuation of the LTD indexing account as at January 1, 1988 indicated that $911,200 was available to actuarially finance additional cost-of-living increases. Effective January 1, 1988 the Board approved and paid the actuarially calculated LTD adjustment of 1.96% reflecting 50% of the increase in the Consumer Price Index.

7. **Actuarial Reports:**

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Pension Fund on an actuarial valuation basis. In accordance with The Municipal Act, an actuarial valuation of the Pension Fund is required every three years. The most recent actuarial valuation report on the Pension Fund as at January 1, 1986 disclosed a surplus of $2,445,523 based on the service to date valuation method.

The actuarial valuation of the Insurance Fund as at January 1, 1986 disclosed a deficit of $1,086,951. The Actuary, in his report, stated that the existence of a deficit in the Insurance Fund is due to the actual experience being less favourable than expected. He also stated that the deficit is decreasing in terms of a percentage of total liabilities. The financial position of the Insurance Fund is expected to improve in the future based on a further improvement in claims experience and higher investment earnings.

8. **Insurance Fund Experience:**

(a) Prior To Termination:

The Prudential Assurance Company Limited, after the end of the policy year, determines whether a surplus or deficit has been incurred for the year in accordance with the terms of the policy. The policy of the Fund is to recognize this surplus or deficit in the financial statements only after a determination has been made. Interest is earned on a surplus and charged on a deficit from the end of the period for which the surplus or deficit is determined.

The surplus belonging to the Board at the end of December 31, 1987 policy year and retained by The Prudential Assurance Company Limited amounted to $133,074 (1986 - $131,133).

The Prudential Assurance Company Limited agrees to pay to the Board an experience refund in the amount by which the surplus exceeds 50% of the premium paid to Prudential during the policy year just completed. In 1988 the Board did not receive an experience refund. For the policy year ended December 31, 1987 an experience refund of $43,880 was received.

(b) On Termination:

If this policy is terminated, the surplus or deficit will be determined in accordance with the terms of the policy on a final settlement date, after taking into account any surplus or deficit carried forward from prior years. A final surplus will be paid as a refund while a final deficit will be the responsibility of The Prudential Assurance Company Limited.

9. **Money Purchase Accounts Plan:**

A Money Purchase Accounts Plan was established effective July 1, 1985. Eligible individuals may transfer to the Plan an amount from either the Fund or pension plan of a prior employer to provide for an annuity or other settlement in the future. The Plan is administered and accounted for separately by the Board for which the Board is authorized to charge the Plan with an administration fee. The accumulated value of the participant's account, upon election of an annuity under the Plan, will be transferred to an annuity reserve as part of the reserve for present and future benefits of the Fund.

10. **Investment Related Expenses:**

Investment Related Expenses were previously presented as expenses on Schedule 4 but are now shown as a reduction of investment income on Schedule 3. The Board approved the allocation of administrative expenses to the Investment Department on a prorated basis.

11. **Comparative Figures:**

Comparative figures for the year ended December 31, 1987 have been restated to conform with this year's presentation.